



## Content

1. Conclusions of the previous four reports
2. Macro-economic performance: growth, stability and social protection
3. Major labour market evolutions
4. Financing social security
5. Major reforms in pension system
6. Major reforms in health and long-term care: devolution
7. The era of sustainability: what (3 European) ageing reports really means
8. Conclusions

## 1. Conclusions of the previous four reports

1. We are a rich economy and we remain that, but massive unemployment persisted
2. The 'active welfare state' was only at the beginning: too little and too late
3. Redistribution of income via social security persisted but growing indicating it is not sufficient
4. Financing of social security under pressure since the eighties: no room for reserves
5. Reduction of taxes and social contributions too early or too late: fear of further erosion of social protection and especially first pillar of pensions
6. Non-debate on desired level of first pillar
7. Uncovered needs can be substantial: health care was expanding after period of rationing
8. Priority for further debt reduction
9. Continued growth until the great economic crisis: in 2011 back at 2008 level

3

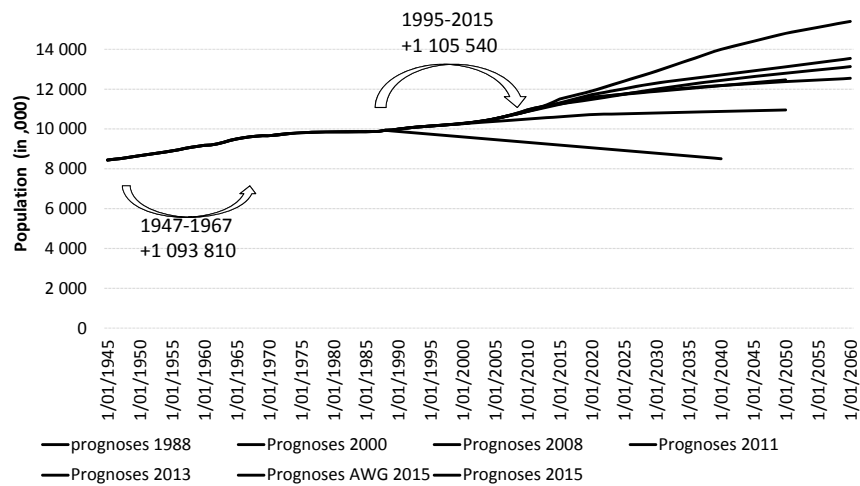
## 2. Macro-economic performance: *Growth, stability and social protection*

1. Substantial population growth, comparable with the baby boom period
2. Population forecasts project further population increase
3. The economic crisis hits twice: the double dip materialised
4. We remain a rich economy, but GDP per capita has known for the last 7 years negative or zero growth
5. Budgetary discipline not maintained and disrupted by crisis: in 2015 back at situation of 1999 for deficit and 2002 for public debt: more than a decade of budgetary consolidation lost
6. New job creation remains mostly public
7. Fiscal consolidation more oriented to cuts in expenditures
8. Will tax reductions and reductions of social security contributions be again too early and too late
9. Tax shift with reduction of taxes on labour and increase of other taxes: among others reduction of employers contributions from 33 to 25% of wage, from 22 to 20,5% for independent workers

4

## 2. Macro-economic performance:

*Demography: 1995-2015 the greatest post-war population boom*



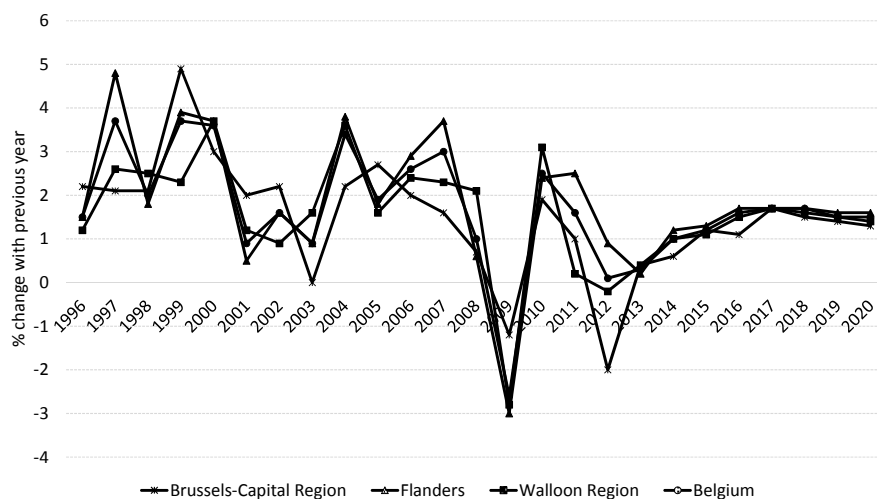
Source: SCcV and Ageing Report

5

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## 2. Macro-economic performance:

*% change of GDP compared with previous year, by regions, 1996-2020:  
a double dip*

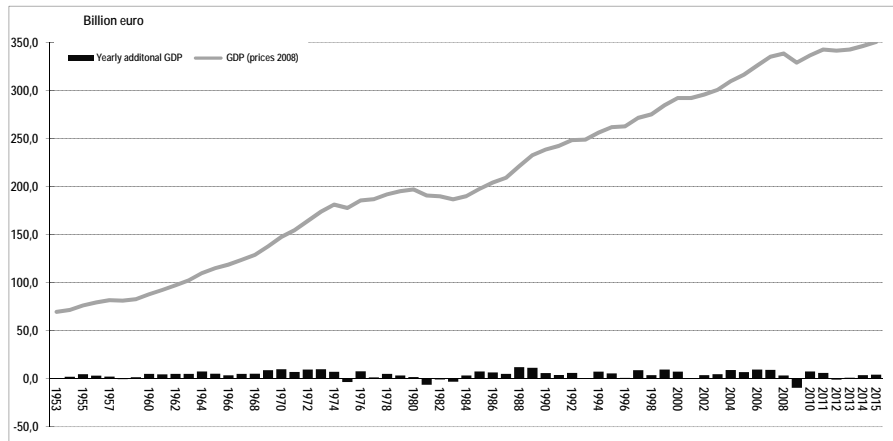


Source: Planbureau

6

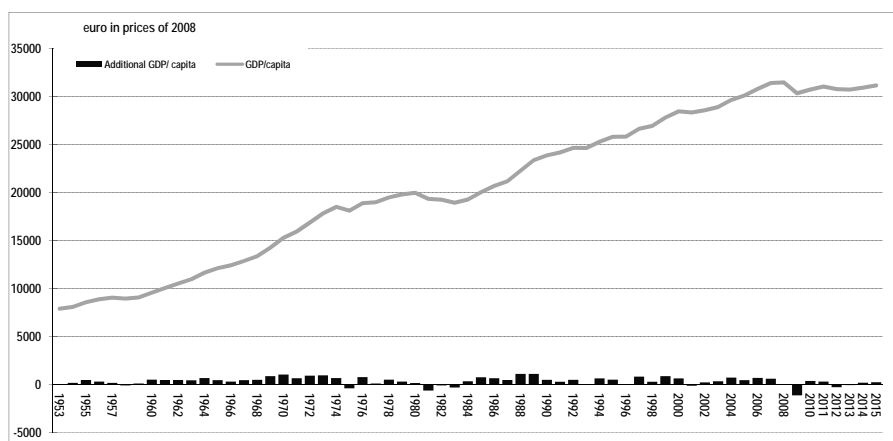
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## 2. Macro-economic performance: *GDP in Belgium, 1952-2015 (prices of 2008)*



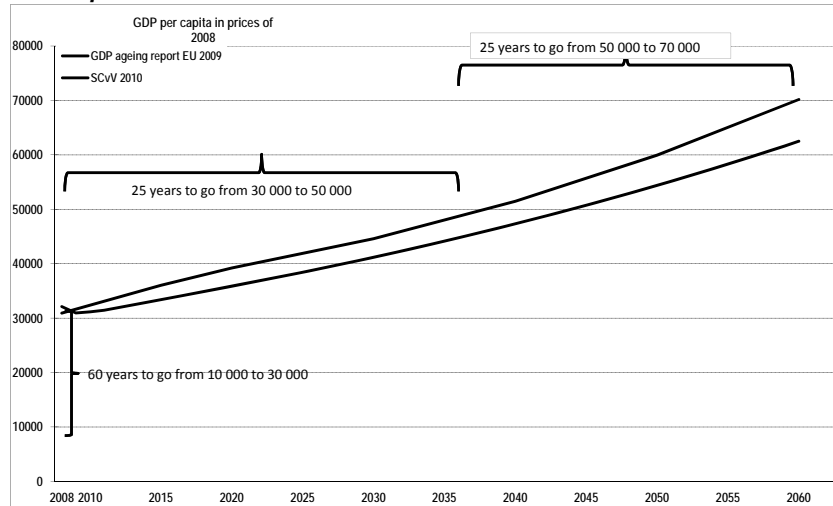
Source: NBB

## 2. Macro-economic performance: *GDP per capita in Belgium, 1952-2015 (prices of 2008): zero growth is back*



Source: NBB

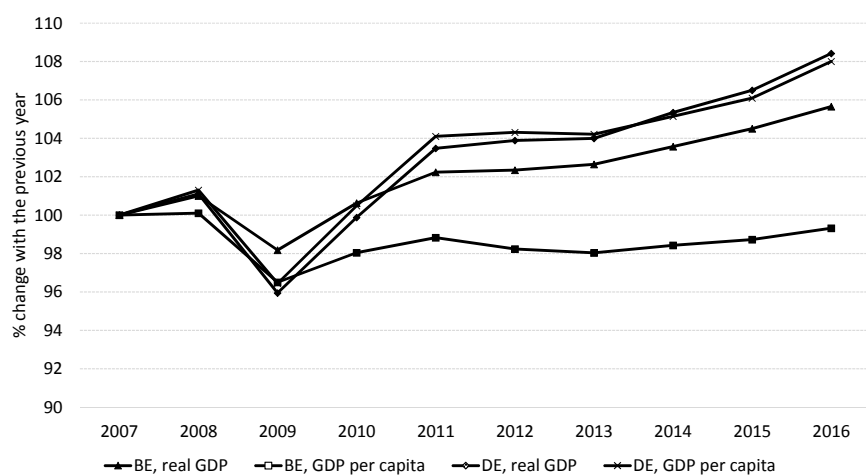
## 2. Macro-economic performance: *The past and the future*



Source: SCvV and Ageing Report

9

## 2. Macro-economic performance: *Comparing GDP with GDP per capita (2007 = 100)*

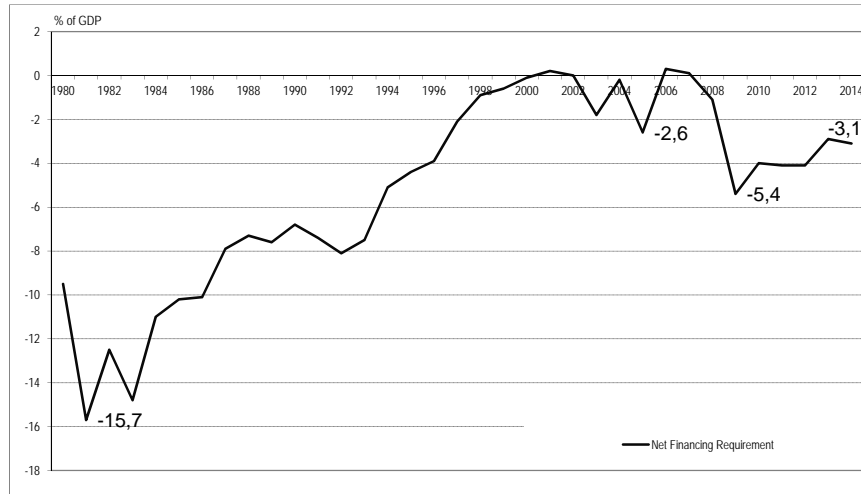


Source: Eurostat database

10

## 2. Macro-economic performance:

*Net financing requirement, 1980 - 2014 (as % of GDP)*

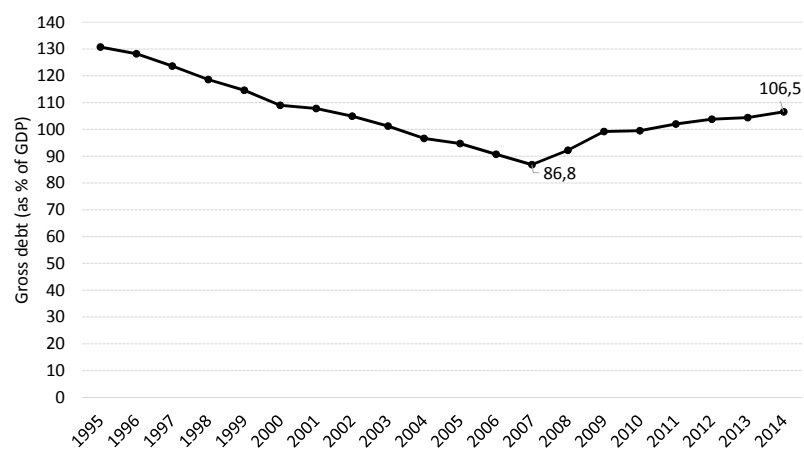


Source: NBB

11

## 2. Macro-economic performance:

*Gross debt (as % of GDP), 1995-2014*

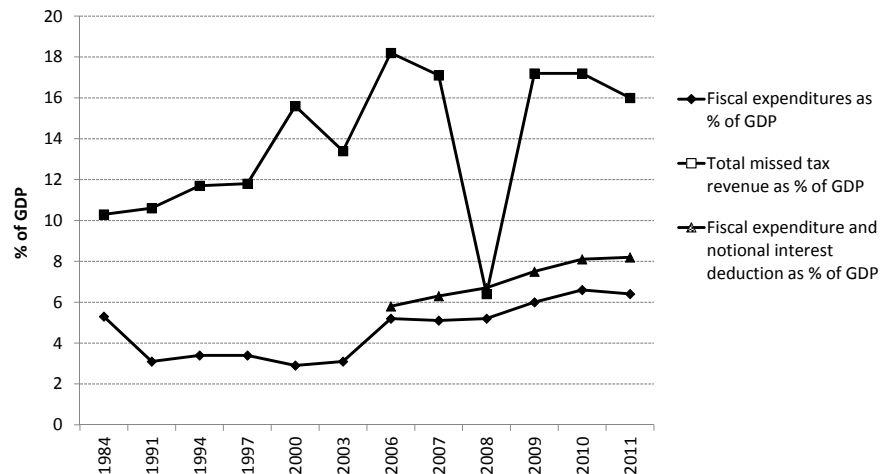


Source: NBB

12

## 2. Macro-economic performance:

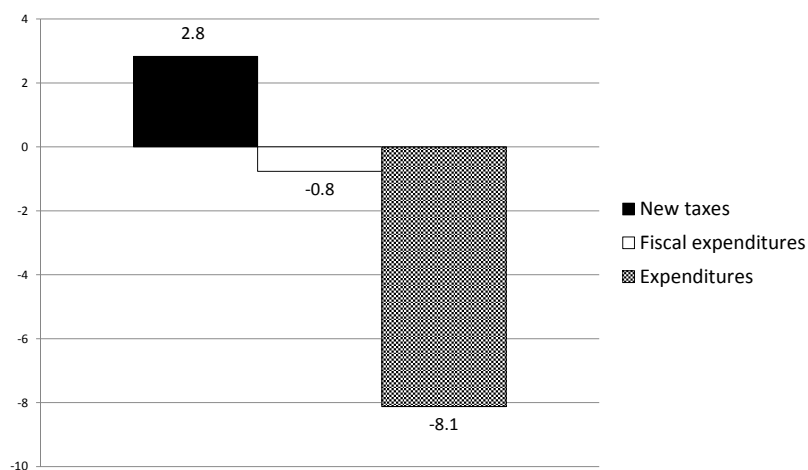
*Despite three waves of budgetary consolidation, growing use of fiscal expenditures, 1995-2014*



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13

## Budgetary consolidation 2014-2018, cumulative figures for 2015-2018, in billion euro

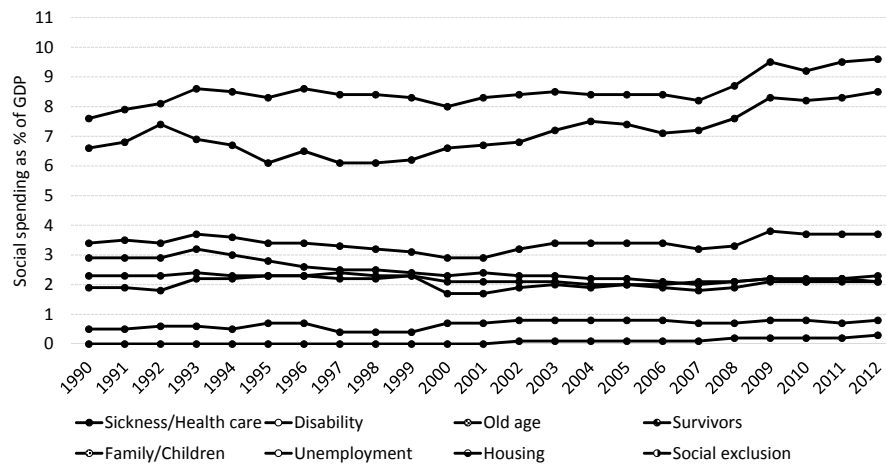


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14

## 2. Macro-economic performance:

*Social spending, by functions, 1990-2012: major systems maintained their level of expenditures*



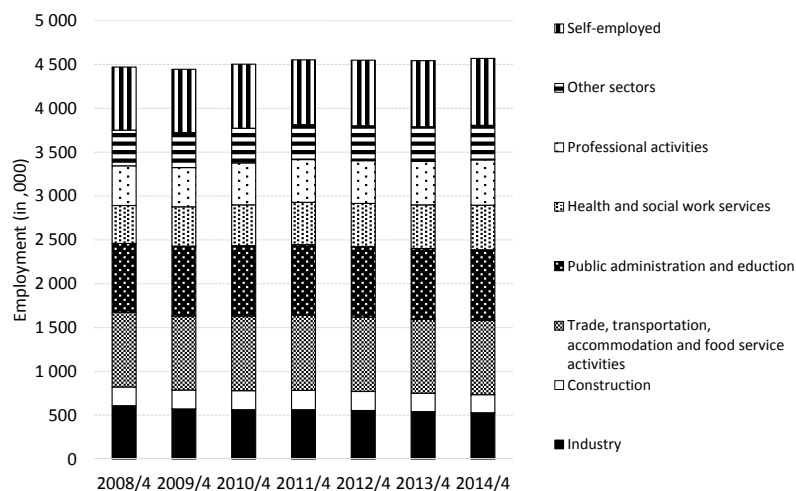
Source: Eurostat database

15

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## 3. Major labour market evolutions:

*Employment (in ,000), by sectors of activity, in ,000, 2008-2014, Q4*



Source: NBB

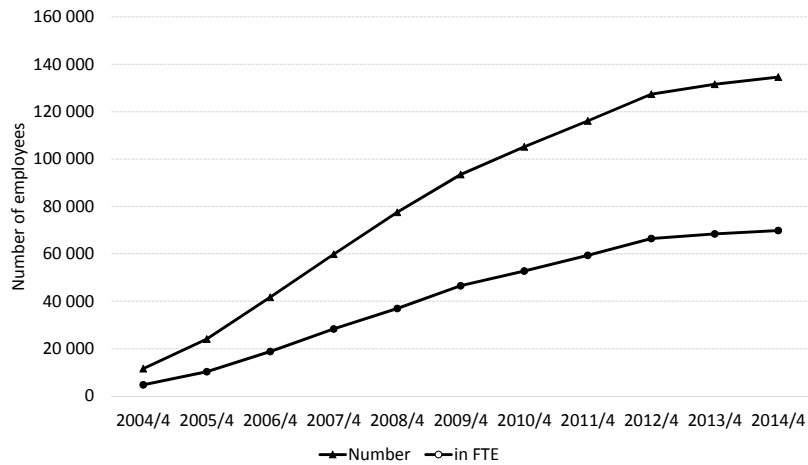
16

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### 3. Major labour market evolutions:

*The service voucher: number of employees, 2004-2014, Q4*

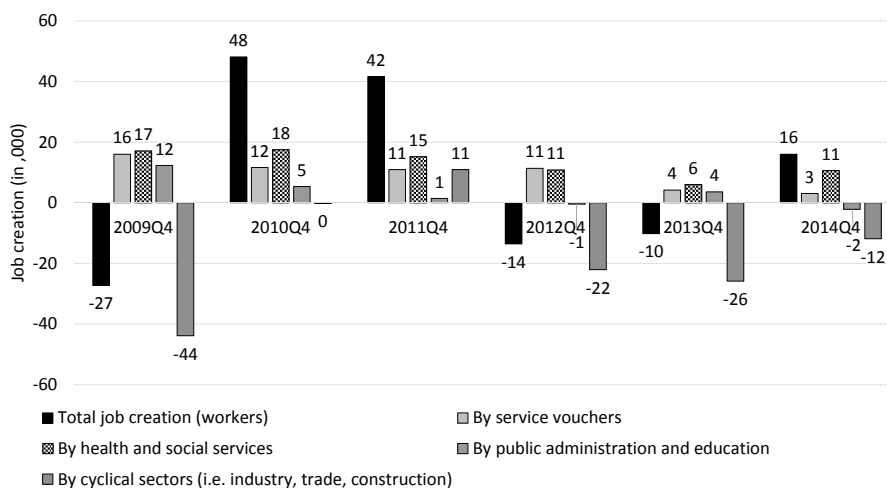


Source: RSZ

17

### 3. Major labour market evolutions:

*Total job 'creation', by sectors of activity, in ,000, 2009-2014, Q4*

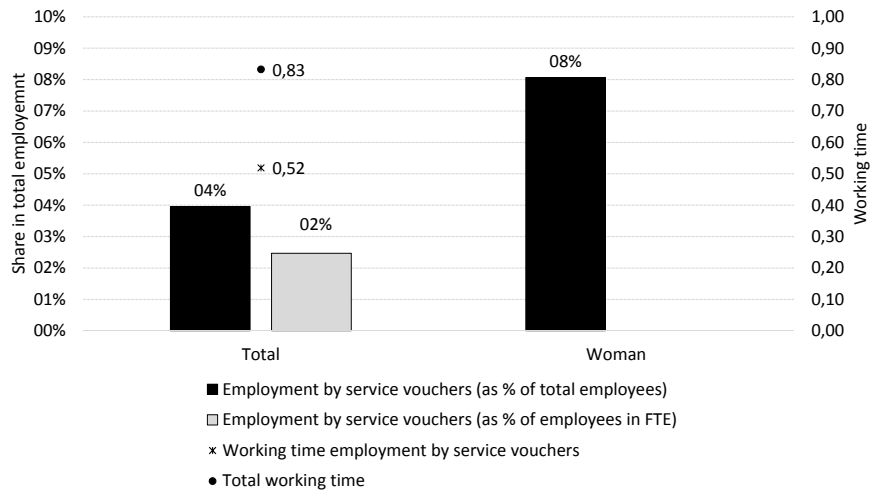


Source: NBB and RSZ

18

### 3. Major labour market evolutions:

*The service voucher: impact on total employment, 2014, Q4*

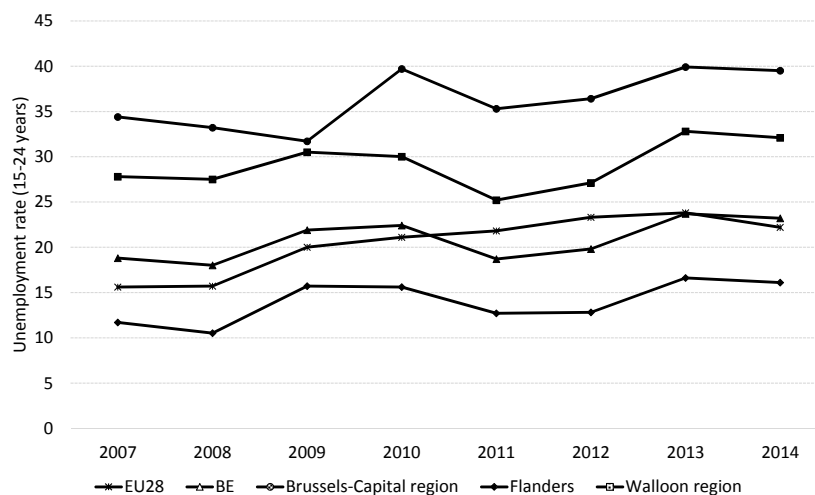


Source: RSZ

19

### 3. Major labour market evolutions and reforms:

*Youth unemployment rate, BE and EU-28, 2007-2014*

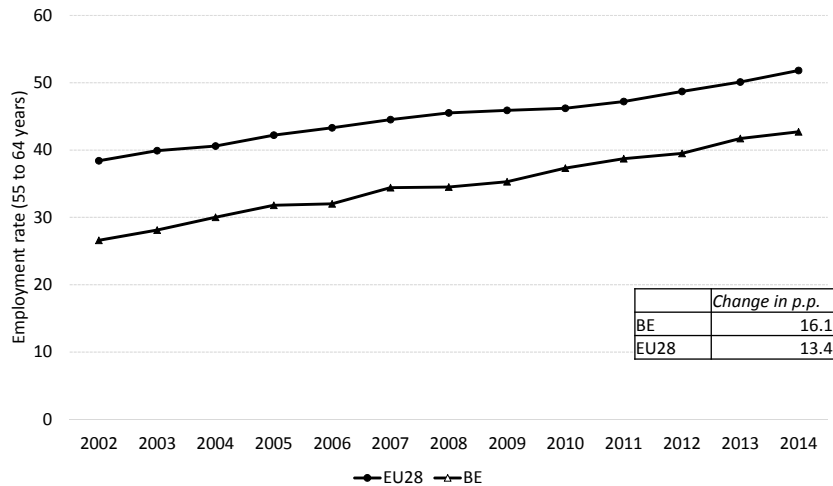


Source: Eurostat database

20

### 3. Major labour market evolutions:

*Employment rate 55 to 64 years, BE and EU-28, 2002-2014*

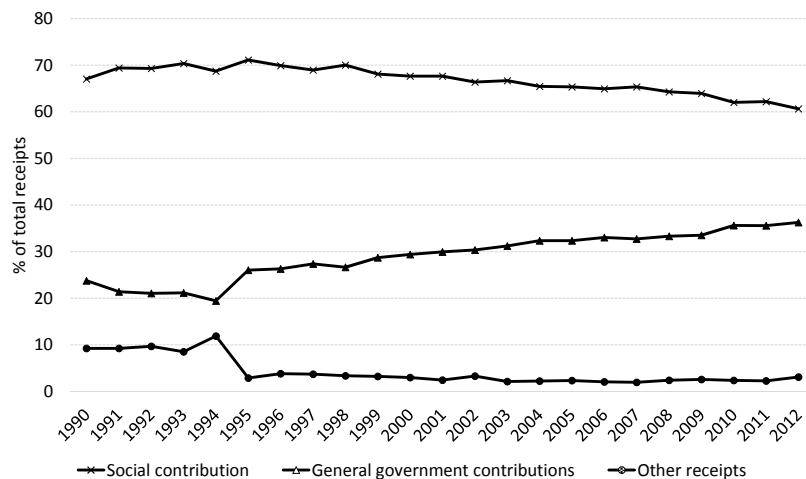


Source: Eurostat database

21

### 4. Financing social security:

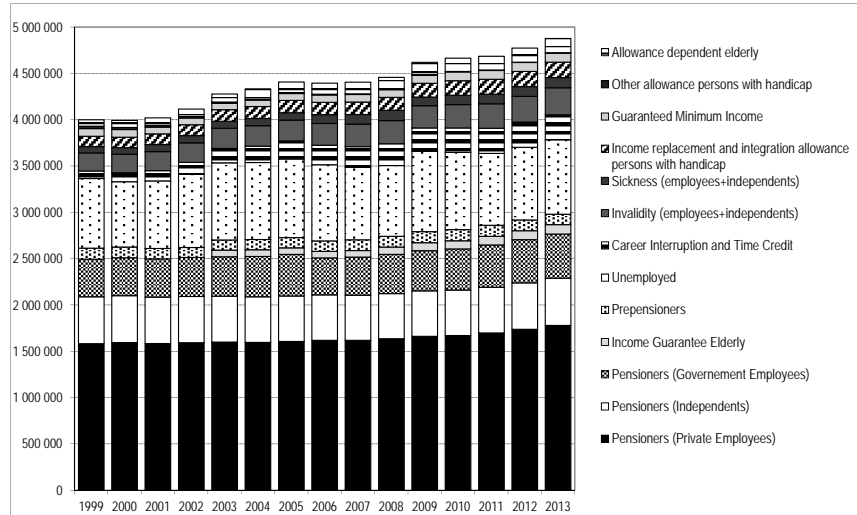
*By type, as % of total receipts, 1990-2012 – further shift away from social contributions*



Source: Eurostat database

22

#### 4. Financing social security: *Number of benefit earners, 1999-2013*



Source: Vade Mecum van de financiële en statistische gegevens over de sociale bescherming in België

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23

#### 5. Major reforms in pension system

1. A political cycle in the pension debate: green book on the pension reform before 2008 elections, white book announced for after elections, a pension reform commission installed since then, published their conclusions after the 2014 elections
2. Reduction of early exit possibilities (for instance time credit, career length and age conditions)
3. A continuum of parametric reforms from Generation Pact (2005) until reforms since 2011 and present government
4. Priority for improving and safeguarding minimum pensions
5. Progressive increase of real exit age
6. Growing attention for arduous jobs and making work workable
7. First reduction, then harmonising and finally dismantling of incentives for working longer (pension bonus)
8. Progressive dismantling of preferential pension regimes
9. First reductions in pensions of civil servants
10. So called 'Silverfund' (public pension reserve of € 20 billion) under discussion
11. In 2015 the increase of legal pension age is voted (66 in 2025, 67 in 2030)
12. By 2030 an automatic adaptation to adequacy and sustainable pension systems and introduction of a harmonised notional point system
13. Second pillar (occupational pensions) gets growing attention...but remains below ambition
14. Financial sector (life insurance) claims adaptation of required return and as such undermining the ambition of the government to reinforce that second pillar
15. There is no other alternative than increasing contributions since you cannot impose market returns
16. Risks to be in conflict or is at least in contradiction with ambition to reduce social security contributions

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24

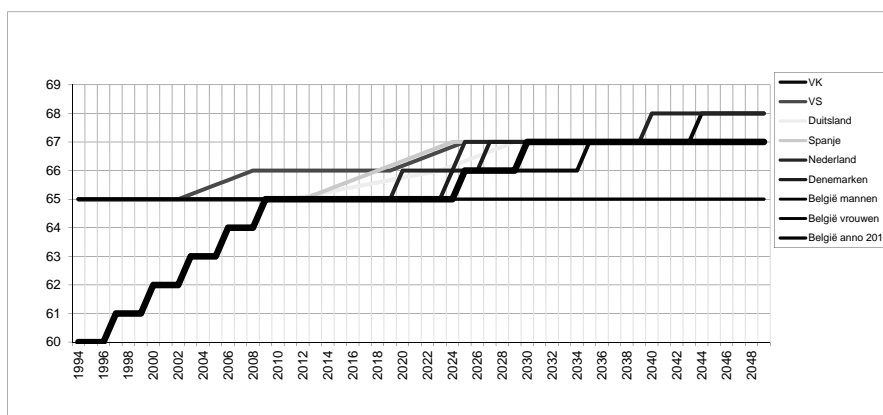
## 5. From Commission of experts to National Pension Committee

1. 2013 Commission of pension experts installed; conclusions in 2014
2. Reinforcement of insurance principle in first pillar by relationship between career and earnings, guaranteeing also link to inflation and earnings
3. Maintaining of professional pillars
4. Calculations harmonised between these pillars
5. Introduction of a notional point system 'to make it more transparent to the citizen'
6. Second pillar should be reinforced
7. Growing attention for working longer in arduous jobs and workable work
8. Since the provided additional advises on arduous jobs and part time pension
9. May 2015 National Pension Committee is installed
10. National Pension Committee of social partners and federal government, situated close to National Labour Council (NAR); Knowledge centre created; commission of experts continued as Academic council
11. Priorities for future pension plans of government
  - Arduous jobs: further discussion with the social partners
  - Return on second pillar: social partners
  - Prepare the reform by 2030 of notional point system and adaptation to adequacy and sustainability

25

## 5. Unexpected increase of legal pension age

*Change of the legal retirement age*



26

## 6. Major evolution and reforms in health and long-term care: devolution in the 6<sup>th</sup> state reform

27

### 6. Public and private health expenses, in € billions and as % of GDP, Belgium, 2007

	Public sector	Of which Territorial government	Of which Social security	Private sector	Of which Out of pocket	Total
<b>As % of GDP</b>						
Total health expenses	6.8	1.0	5.8	2.2	1.7	9.0
Services of curative and rehabilitative care	3.4	0.1	3.3	1.0	0.7	4.4
Services of long-term nursing care	1.6	0.6	0.9	0.4	0.3	2.0
Ancillary services to health care	0.3	0.0	0.3	0.1	0.0	0.3
Medical goods	1.0		1.0	0.7	0.7	1.7
Prevention and public health services	0.2	0.2	0.0	0.0	1.7	0.2
Health administration and health insurance	0.3	0.1	0.3	0.1		0.4
<b>In current prices (in €billions)</b>						
Total health expenses	23.3	3.3	20.0	7.7	6.0	31.1
Services of curative and rehabilitative care	11.7	0.2	11.5	3.3	2.4	15.1
Services of long-term nursing care	5.4	2.2	3.2	1.5	1.2	6.8
Ancillary services to health care	1.0	0.0	0.9	0.2	0.1	1.2
Medical goods	3.3		3.3	2.4	2.3	5.7
Prevention and public health services	0.7	0.7	0.0	0.0		0.7
Health administration and health insurance	1.2	0.2	1.0	0.3		1.5
<b>In constant prices of 2005 (in €billions)</b>						
Total health expenses	22.3	3.2	19.1	7.4	5.7	29.6
Services of curative and rehabilitative care	11.2	0.2	11.0	3.2	2.3	14.4
Services of long-term nursing care	5.1	2.0	3.1	1.4	1.1	6.5
Ancillary services to health care	0.9	0.0	0.9	0.2	0.1	1.1
Medical goods	3.2		3.2	2.3	2.2	5.5
Prevention and public health services	0.7	0.7	0.0	0.0		0.7
Health administration and health insurance	1.1	0.2	0.9	0.3		1.4

Source: OECD, Health Data 2015

28

## 6. Public and private health expenses, in € billions and as % of GDP, Belgium, 2013

	Public sector	Of which Territorial government	Of which Social security	Private sector	Of which Out of pocket	Total
<b>As % of GDP</b>						
Total health expenses	8.0	1.2	6.8	2.3	1.8	10.2
Services of curative and rehabilitative care	4.1	0.1	4.0	1.1	0.9	5.2
Services of long-term nursing care	1.9	0.7	1.1	0.4	0.3	2.3
Ancillary services to health care	0.3	0.0	0.3	0.1	0.0	0.4
Medical goods	1.1	..	1.1	0.6	0.6	1.7
Prevention and public health services	0.3	0.3	0.0	0.0	..	0.3
Health administration and health insurance	0.3	0.0	0.3	0.1	..	0.4
<b>In current prices (in €billions)</b>						
Total health expenses	31.5	4.6	26.9	9.0	7.2	40.5
Services of curative and rehabilitative care	16.0	0.2	15.8	4.5	3.4	20.5
Services of long-term nursing care	7.4	2.9	4.5	1.7	1.3	9.1
Ancillary services to health care	1.3	0.0	1.3	0.2	0.1	1.5
Medical goods	4.3	..	4.3	2.4	2.4	6.7
Prevention and public health services	1.3	1.3	0.0	0.0	..	1.3
Health administration and health insurance	1.2	0.2	1.0	0.3	..	1.5
<b>In constant prices of 2005 (in €billions)</b>						
Total health expenses	26.9	4.0	23.0	7.7	6.2	34.6
Services of curative and rehabilitative care	13.7	0.2	13.5	3.8	2.9	17.5
Services of long-term nursing care	6.3	2.5	3.8	1.4	1.1	7.8
Ancillary services to health care	1.1	0.0	1.1	0.2	0.1	1.3
Medical goods	3.6	..	3.6	2.1	2.0	5.7
Prevention and public health services	1.1	1.1	0.0	0.0	..	1.1
Health administration and health insurance	1.0	0.2	0.9	0.2	..	1.2

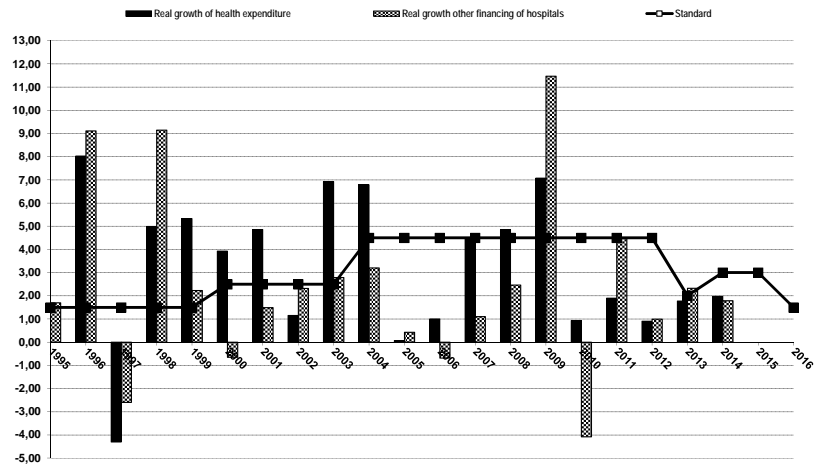
Source: OECD, Health Data 2015

## 6. Public and private health expenses, % change 2013 vs 2007, Belgium

	Public sector	Of which Territorial government	Of which Social security	Private sector	Of which out of pocket	Total
Total health expenses	21.0%	25.6%	20.2%	4.4%	7.5%	16.9%
Services of curative and rehabilitative care	22.7%	16.3%	22.8%	19.4%	24.3%	22.0%
Services of long-term nursing care	23.8%	21.7%	25.2%	1.4%	-1.4%	19.0%
Ancillary services to health care	21.4%	-19.0%	23.4%	-16.6%	10.4%	14.3%
Medical goods	14.2%	..	14.2%	-9.2%	-6.0%	4.5%
Prevention and public health services	58.1%	58.2%	56.5%	-91.0%	..	58.1%
Health administration and health insurance	-11.6%	-24.5%	-8.8%	-24.5%	..	-14.3%

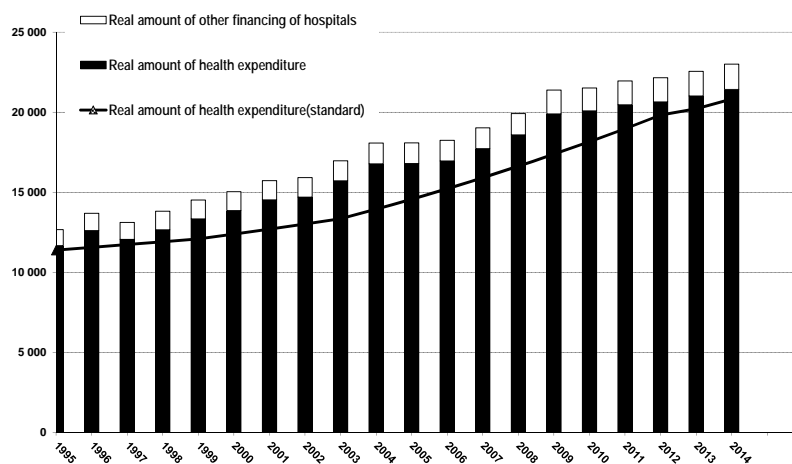
Source: OECD, Health Data 2015

## 6. Public health expenditures still under control (real growth rate), 1995-2016



31

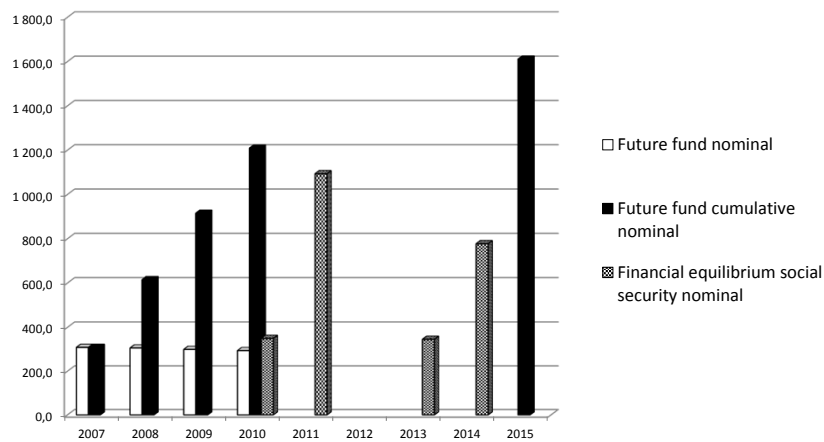
## 6. Public health expenditures still under control (in million euro, prices of 2006, 1995 – 2016)



32



6. Public health expenditures still under control: creation of a fund for the future financing of the health insurance and contribution to financial equilibrium social security, 2007-2015, in million euro



33

6. Long-term care: a highly developed system but still hardly recognised system

- As well in kind as in cash (on top of income)
- In kind
  - Developed within the health insurance, mainly:
    - district nursing
    - residential services for the elderly
  - Social services, among others home care services
  - Residential and community care services for persons with handicap
  - Service voucher topped it up for home help at federal level
- In cash
  - Care allowance for the elderly at federal level
  - Integration allowance for persons with handicap at federal level
  - Care insurance for as well community care as residential care Flanders and those opting for it in Brussels

34

## 6. Long-term care after the 6th state reform

- As well in kind as in cash (on top of income)
- In kind
  - Developed within the health insurance, mainly:
    - district nursing: remains in health insurance
    - residential services for the elderly: devolved to the regions
  - Social services, among others home care
  - Residential and community care services for persons with handicap
  - Service voucher topped it up for home help: devolved to the regions
- In cash
  - Care allowance for the elderly: devolved to the regions
  - Integration allowance for persons with handicap: remains federal level
  - Care insurance for as well community setting as residential setting in Flanders and those opting for it in Brussels

35

## 6. The fair faces of LTC in Flanders, impact on public spending in budget 2015



	in million euro	as % of total budget	as % of regional GDP
Budget			
<u>Family benefits</u>	<u>3.557</u>	<u>9,6</u>	<u>1,5</u>
<u>Residential home care</u>	<u>1.497</u>	<u>4,0</u>	<u>0,6</u>
Care for persons with handicap	1.426	3,9	0,6
<u>Service vouchers</u>	<u>1.062</u>	<u>2,9</u>	<u>0,5</u>
Home care	623	1,7	0,3
Child care	568	1,5	0,2
<u>Care allowance for dependent older persons</u>	<u>387</u>	<u>1,0</u>	<u>0,2</u>
Youth care	377	1,0	0,2
Care infrastructure	200	0,5	0,1
<u>Fiscal expenditures service voucher</u>	<u>198</u>	<u>0,5</u>	<u>0,1</u>
Flemish care insurance	125	0,3	0,1
Geriatric services	102	0,3	0,0
Total budget Flemish government	37.027	100,0	15,8
GDP	234.547		100,0

36

## 7. The era of (3 European) ageing reports on future sustainability: what it really means

	AWG 2015 (2013 prices)				AWG 2012 (2010 prices)				AWG 2009 (2007 prices)			
	2013	2020	index		2010	2020	Index		2008	2020	index	
			2060	2060			2060	2060			2060	2060
GDP (in billions euro)	381	417	871	228	352	419	812	231	331	443	863	261
Population (millions)	11,2	11,9	15,4	138	10,9	11,6	13,5	124	10,7	11,3	12,3	115
GDP per capita (in euro)	34.054	35.000	56.552	166	32.321	36.138	60.170	186	30.916	39.212	70.195	227
Population +65 (million)	2,0	2,2	3,6	184	1,9	2,2	3,4	184	1,8	2,2	3,3	178
in % of total population	18%	19%	24%		17%	19%	26%		17%	20%	27%	

Source: Own calculations on European Commission, Ageing Report 2009, 2012 en 2015






37

## 7. What future sustainability really means, now in real terms of 2013 prices

	AWG 2015 (2013 prices)				AWG 2012 (2010 prices)				AWG 2009 (2007 prices)			
	2013	2020	index		2010	2020	Index		2008	2020	index	
			2060	2060			2060	2060			2060	2060
GDP in billion euro	381	417	871	228	352	419	812	231	331	443	863	261
GDP in billion euro prices 2013	381	417	871		379	451	874		380	509	992	
Population (millions)	11,2	11,9	15,4	138	10,9	11,6	13,5	124	10,7	11,3	12,3	115
GDP per capita in euro	34 054	35 000	56 552	166	32 321	36 138	60 170	186	30 916	39 212	70 195	227
Price index	100	100	100		93	93	93		87	87	87	
GDP per capita in prices 2013	34 054	35 000	56 552	166	34 795	38 904	64 776	186	35 519	45 051	80 647	227

Source: Own calculations on European Commission, Ageing Report 2009, 2012 en 2015

38

## 7. Real implications behind public cost of ageing as % of GDP

	AWG 2015 (2013 prices)			index
	2013	2020	2060	2060
GDP per capita in euro	34.054	35.000	56.552	166
Health care as % of GDP	6,0	5,9	6,1	102
Long-term care as % of GDP	2,1	2,3	3,7	176
Total health + LTC as % of GDP	8,1	8,2	9,8	121
Health care per capita in euro	2.043	2.065	3.450	169
LTC per capita in euro	715	805	2.092	293
Total health + LTC in euro	2.758	2.870	5.542	201
GDP- health and LTC, per capita, in euro	31.295	32.130	51.010	163

Source: Own calculations on European Commission, Ageing Report 2009, 2012 en 2015

39



## 7. Real implications behind public cost of ageing as % of GDP

	AWG 2015 (2013 prices)			index
	2013	2020	2060	2060
GDP per capita in euro	34.054	35.000	56.552	166
Pensions as % of GDP	11,8	12,7	15,1	128
Pensions + health + LTC as % of GDP	19,9	20,9	24,9	125
Pensions in euro per capita	4.018	4.445	8.539	213
Pensions + health + LTC per capita in euro	6.777	7.315	14.081	208
GDP - pensions – health – LTC, per capita	27.277	27.685	42.471	156
Persons above 65 as % of total population	17,7	18,9	23,7	134
Ageing cost of 65+ in euro per capita	5.755	6.402	13.219	230
Ageing cost in euro per person above 65	32.514	33.874	55.776	172
Rest of GDP per capita	28.299	28.598	43.333	153
Rest of GDP per person below 65	34.385	35.262	56.793	165
Ratio evolution resources +65/65-				1,04

Source: Own calculations on European Commission, Ageing Report 2009, 2012 en 2015

40



## 8. Conclusions

1. Negative growth or zero growth of GDP per capita implies a changing of regime?
2. Growing concern about downgrading the first pillar of social security
3. But hesitation to reinforce the solidarity and insurance dimension of the first pillar
4. This is announcing a further privatisation of social protection
5. Financing: decline in the share of social contributions
6. Increase of subsidised employment especially by the service voucher
7. Increase of the legal age of retirement
8. Devolution